Jack VanDerhei Remarks
2006 Retirement Confidence Survey
April 4, 2006

Good morning, ladies and gentlemen. Thank you for joining us for the release of the 16th annual Retirement Confidence Survey.

My name is Jack VanDerhei. I am a faculty member at Temple University in Philadelphia and research director of the fellows program at Employee Benefit Research Institute. With me today is Matt Greenwald, president of Greenwald & Associates, the survey research firm responsible for compiling today's findings.

The program today will be as follows: I will make a few opening remarks. Then, Matt Greenwald will go over the major survey findings. Finally, we will be happy to answer your questions.

Let me begin by reminding you that the Retirement Confidence Survey, now in its 16th year, is the country's most established and comprehensive study of the attitudes and behavior of American workers and retirees towards all aspects of saving, retirement planning, and long-term financial security. The survey is sponsored by EBRI and Mathew Greenwald & Associates and is underwritten by more than two dozen organizations.

The survey contains a core set of questions that is asked annually, allowing key attitudes and self-reported behavior patterns to be tracked over time. Sample questions include: how confident are Americans about their retirement income prospects, including Social Security and Medicare; how much money have they saved for their future and where are they putting their money; who they turn to for retirement investment information and advice; and why individuals are not saving more and what would motivate them to do so. The survey strives to be timely by covering issues that are of current interest to policymakers and retirement benefits specialists. For example, this year's survey includes questions about employers' automatically enrolling workers in 401(k) programs.

Overall, this year's survey finds that while a majority of workers remain generally confident about their retirement prospects, the findings suggest that many are not really ready to undertake the task of financial planning for their own retirement and face the prospect of having to work far longer than they expect. That is because many workers' retirement aspirations are like a piece of Swiss cheese – filled with holes. Let me cite three examples from the survey:

- More than half of workers saving for retirement report total savings and investments — not including the value of their primary residence or any defined benefit plans — of less than $25,000. However, the large majority of workers who have not put money aside for retirement have little in savings at all: Three-quarters of these workers say their assets total less than $10,000.
- Worker assumptions about their financial needs for retirement are often based on what appear to be unrealistically low income replacement ratios. While a majority of workers say they prefer a standard of living in retirement that is the same or better than in their working years, half think they can maintain a comfortable retirement on 70 percent or less of their preretirement income. Based on sophisticated simulation models produced by EBRI it is clear that in the vast majority of cases, that's simply not enough.
- Many workers are counting on employer-provided benefits in retirement that are increasingly unavailable. Only 40 percent of workers indicate they or their spouse currently have a defined

benefit plan — a so-called “traditional” pension plan — yet 61 percent say they are expecting to receive income from such a plan in retirement.

Recent research has found that when a traditional pension is frozen, many workers in the pension are unlikely to get an equal benefit value contributed to their 401(k) plan. Each case is different, but it’s clear that people currently working should factor into their retirement planning the long-term trend (and the recent upsurge in pension freezes) away from traditional defined benefit pensions and toward 401(k)-type plans.

I would like to highlight one other finding: The survey reports that workers have a favorable view of automatic features, and that participation rates might rise if more employers adopted them. These features include auto-enrollment, automatically increasing the percentage of salary contributed when a pay raise is received, and automatically investing contributions for the employee in something like a lifestyle fund, that automatically sets an appropriate asset allocation for the investments. Retirement plan participants and nonparticipants are equally likely to favor each of these automatic features.

Finally, I would like to mention that we often hear that workers are looking for tools to help them measure the progress they are making in reaching their retirement objectives. Last summer EBRI updated such a tool — called the Ballpark Estimate. Workers can answer a series of questions and get a reasonably accurate understanding of how they are doing by using the Ballpark Estimate. The Ballpark is available free at www.ChoosetoSave.org, and can be filled out online or in paper format. I call it to your attention.

Now, let’s hear from Matt Greenwald. After that we will take your questions.

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